

Message Text

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FRANKFURT FOR GAO EDER

E.O. 11652:N/A

TAGS: AGAO, EMIN, YO

SUBJECT: GAO REVIEW: "ASSESSMENT OF INCREASING RELIANCE OF
U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

1. THE GAO HAS INFORMED THE DEPARTMENT THAT SUBJECT REVIEW WHICH HAS BEEN IN PROGRESS AT U.S. GOVERNMENT AGENCIES AND PRIVATE COMMERCIAL FIRMS WILL BE BROADENED TO INCLUDE THE TRANSMISSION OF SPECIFIC QUESTIONS TO SELECTED OVERSEAS POSTS IN LATIN AMERICA, AFRICA, AND EUROPE. PURPOSE OF THESE INQUIRIES WILL BE TO OBTAIN COMPARATIVE INFORMATION AS TO WAYS FOREIGN GOVERNMENTS ARE INFLUENCING INVESTMENT DECISIONS FOR MINING AND MINERAL PROCESSING FACILITIES IN THE ALUMINUM, COPPER, ZINC, AND FERROALLOY INDUSTRIES.

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2. THE GAO WOULD APPRECIATE THE POST'S ASSISTANCE IN PROVIDING ANSWERS FROM AVAILABLE RESOURCES TO THE FOLLOWING QUESTIONS AS THEY APPLY TO YUGOSLAVIA'S ALUMINUM, COPPER, ZINC AND FERROALLOY INDUSTRIES. THE GAO WOULD LIKE TO RECEIVE THIS INFORMATION BY OCTOBER 15, SO THAT IT CAN BE INCORPORATED INTO ITS FINAL REPORT. TO FACILITATE

THE TRANSMISSION AND DELIVERY OF THE REQUESTED DATA, IT IS RECOMMENDED THAT THE POST USE AIRGRAMS OR CABLES AND AIR POUCH MATERIALS TO THE DEPARTMENT ADDRESSED TO THE GAO LIAISON STAFF OFFICE, A/BF/OAG, ROOM 1328.

; HOW DOES THE GOVERNMENT OF YUGOSLAVIA VIEW THE FUTURE OF THE NON-FERROUS AND FERROALLOY INDUSTRIES?

B. WHAT IS THE PRESENT AND PROJECTED SMELTING AND RE-FINING CAPACITY FOR THESE METALS? WHAT IS THE PRESENT AND FORECAST YUGOSLAVIAN DOMESTIC DEMAND FOR THESE METALS?

C. WHAT IS THE YUGOSLAVIAN GOVERNMENT'S ROLE IN THE DEVELOPMENT OF THE NON-FERROUS AND FERROALLOYS INDUSTRIES? IS THERE ANY GOY EQUITY PARTICIPATION OR LOAN GUARANTEE ACTIVITY IN THE MINING/METALS PROCESSING SECTOR?

D. WHAT IS THE RELATIONSHIP BETWEEN EMPLOYMENT, FOREIGN EXCHANGE AND TRADE POLICIES, AND THE LEVEL OF ALUMINUM, COPPER, ZINC, AND FERROALLOY PRODUCTION? IS PRODUCTION MAINTAINED FOR "SOCIAL" RATHER THAN ECONOMIC REASONS?

E. WHAT IS THE CAPITALIZATION STRUCTURE OF FIRMS IN THE MINING/METALS PROCESSING SECTOR? IN DEBT PORTION OF LONG-TERM NATURE? IF CAPITALIZATION TENDS TOWARDS DEBT, HOW DO FIRMS SERVICE DEBT OBLIGATIONS DURING PERIODS OF WEAK MARKETS AND LOW EARNINGS?
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F. DO ANY GOVERNMENT-SPONSORED BANKS OR OTHER AGENCIES PROVIDE FINANCIAL ASSISTANCE TO THE MINING/METALS PROCESSING SECTOR IN THE FORM OF LONG-TERM LOANS AT LOW INTEREST RATES, OR LOAN GUARANTEES?

G. WHAT TYPES OF JOINT VENTURES DOES THE NEW YUGOSLAVIAN JOINT VENTURE LAW ALLOW? ARE U.S. METALS COMPANIES EXPECTED TO PARTICIPATE UNDER THE NEW LAW?

H. HAS THE GOY AUTHORIZED ANY EXPORT, RATIONALIZATION OR RECESSION CARTELS IN THE NON-FERROUS OR FERROALLOY SECTOR? WHAT IS THE INTENDED PURPOSE OF SUCH CARTELS AND HOW ARE THEY ORGANIZED?

I. WHAT IS THE GOY POSITION ON SOUTH AFRICA FERROCHROME? IS SOUTH AFRICA GUILTY OF DUMPING? OF PREDATORY PRICING?

J. HOW DOES WAGE STRUCTURE AND UNIT LABOR COSTS IN THE YUGOSLAVIAN MINING/METAL PROCESSING INDUSTRY COMPARE WITH THAT OF THE UNITED STATES? WHAT EFFECT DOES THE REPORTED LOW LABOR PRODUCTIVITY IN THE MINING SECTOR HAVE ON

YUGOSLAVIAN PROCESSING CAPABILITIES?

K. ARE THERE ANY SPECIFIC TAX POLICIES SUCH AS TAX REDUCTIONS, HOLIDAYS OR DEFERRALS DESIGNED TO ENCOURAGE DEVELOPMENT IN THE MINING AND MINERAL PROCESSING INDUSTRIES? DOES YUGOSLAVIAN TAX CODE PROVIDE FOR MINE DEPLETION ALLOWANCES? WHAT TIME PERIODS ARE ACCEPTABLE FOR COMPUTING PLANT AND EQUIPMENT DEPRECIATION FOR MINES AND METALS SMELTERS AND REFINERIES? DOES TAX CODE PROVIDE FOR RAPID RECOVERY OF INVESTMENT IN POLLUTION CONTROL EQUIPMENT? IS REPLACEMENT COST RATHER THAN HISTORICAL COST AN ACCEPTABLE BASIS FOR COMPUTING DEPRECIATION OF MINE/SMELTER/REFINERY EQUIPMENT?

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L. WHAT YUGOSLAVIAN ENVIRONMENTAL REGULATIONS SUCH AS AIR AND WATER QUALITY STANDARDS AND LAND USE RESTRICTIONS APPLY TO METAL MINING AND PROCESSING OPERATIONS? DOES YUGOSLAVIA HAVE A STANDARD FOR SULFUR DIOXIDE EMISSION CONTROL FOR COPPER SMELTERS? IF YES, WHAT IS ACCEPTABLE CONTROL METHODOLOGY? IS STACK DISPERSION ADEQUATE FOR MEETING AIR QUALITY STANDARDS? CAN COPPER SMELTERS IN YUGOSLAVIA PROFITABLY SELL BY-PRODUCT SULFURIC ACID? ARE ENVIRONMENTAL STANDARDS APPLIED TO ALL FACILITIES OR JUST TO NEW OPERATIONS? ARE STANDARDS WAIVED OR MADE LESS STRINGENT FOR OPERATIONS IN REMOTE/UNPOPULATED AREAS?

M. DOES GOY IMPOSE WORKER SAFETY REGULATIONS SIMILAR TO U.S. OSHA? IF SO, ARE THEY COSTLY ENOUGH TO INFLUENCE INVESTMENT DECISIONS FOR VENTURES IN THE SUBJECT METALS INDUSTRIES?

N. HOW DO ENERGY AVAILABILITY AND COST CONSTRAINTS EFFECT DEVELOPMENT OF THE ALUMINUM, COPPER, ZINC, AND FERROALLOY INDUSTRIES IN YUGOSLAVIA? DO INDUSTRIAL METALS PRODUCERS RECEIVE LONG-RANGE ENERGY SUPPLY COMMITMENTS AND/OR FAVORABLE ENERGY RATES COMPARED TO OTHER INDUSTRIAL ENERGY USERS?

O. DOES GOY PARTICIPATE IN THE NEGOTIATION OF LONG-TERM SUPPLY CONTRACTS WITH FOREIGN ORE/CONCENTRATE SUPPLIERS? WHAT SPECIFIC METHODS ARE USED TO SAFEGUARD THE SUPPLY OF OVERSEAS RESOURCES?

P. WHAT MEASURES IS GOY USING TO STIMULATE DOMESTIC MINERALS EXPLORATION?

Q. HOW LONG DOES IT TAKE TO BUILD A NEW ZINC/COPPER
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SMELTER/REFINERY IN YUGOSLAVIA, I.E., ELAPSED TIME FROM
DECISION TO BUILD UNTIL FACILITY OPENS--WOULD LIKE ONE OR
TWO EXAMPLES.

R. IS IT KNOWN WHAT FORMS NON-TARIFF BARRIERS TO THE
IMPORT OF REFINED METALS TAKE, I.E., QUOTAS, WITHHOLDING
OF IMPORT LICENSES, ETC.?

S. DOES GOY STOCKPILE THE SUBJECT METALS? FOR WHAT
PURPOSE?

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3. IT WOULD ALSO BE APPRECIATED IF THIS POST WOULD
IDENTIFY ANY AIRGRAMS OR OTHER MATERIALS PREPARED BY THE
MISSION DEALING WITH ISSUES MENTIONED ABOVE WHICH HAVE
BEEN SUBMITTED TO THE DEPARTMENT.

4. IT IS THE DEPARTMENT'S POLICY TO BE OF ASSISTANCE
TO THE GAO AND TO BE AS HELPFUL AS POSSIBLE WITHIN THE
GUIDELINES OF 4 FAM 930-934. ANY QUESTIONS OR PROBLEMS
THAT SHOULD ARISE DURING THE COURSE OF THIS EFFORT,
PARTICULARLY REGARDING GAO ACCESS TO INFORMATION SHOULD BE
REFERRED TO THE DEPARTMENT. CHRISTOPHER

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